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February 28, 2006

VIA HAND DELIVERY

Mitchell M. Willoughby, Esquire
Willoughby & Hoefer, P.A.
1022 Calhoun Street, Suite 302
Columbia, SC 29201

**Re: SMI Steel – South Carolina
SCE&G Annual Review of Base Rates for Fuel Costs
Docket No. 2006-2-E
Our File No.: 7-1497-100**

Dear Mitch:

Please find enclosed and served upon you, as counsel for SCE&G, SMI Steel's Second Set of Data Requests to SCE&G in the above-referenced matter. If there are any questions relating to the enclosed, please do not hesitate to contact me.

With my best regards,

Sincerely yours,

E. Wade Mullins, III
E. Wade Mullins, III

EWM/dlw

cc: Mr. Charles Terreni (W/Enclosure)
Shannon B. Hudson, Esquire (W/Enclosure)
Scott Elliott, Esquire (W/Enclosure)

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SC PUBLIC SERVICE
COMMISSION

**BEFORE THE
SOUTH CAROLINA PUBLIC SERVICE COMMISSION**

In the Matter of)	
– South Carolina Electric & Gas)	Docket No. 2006-2-E
Company Annual Review of Base Rates)	
for Fuel Costs)	

**SMI'S SECOND SET OF DATA REQUESTS TO
SOUTH CAROLINA ELECTRIC & GAS**

INSTRUCTIONS

1. In answering each Request, please state the text of the Request prior to providing the response. Each Request and applicable response should be on a separate page. Where there are subparts to a Request, each subpart and applicable response should be on a separate page. Each Request is continuing in nature. Thus, if SCE&G acquires or discovers additional or different information with respect to a Request after the Request has been initially answered, SCE&G is required to supplement its response immediately following the receipt of such additional or different information, giving the additional or different information to the same extent as originally requested. SCE&G may not postpone serving such responsive supplemental information until after the filing of any testimony or supporting documents in this proceeding. Initial and supplementary responses shall be full, complete and accurate since they will be relied upon by SMI for the purposes of this proceeding. For each Request, list all assumptions made by SCE&G in answering said Request.
2. In the event that SCE&G asserts that any of the information requested is deemed by it to be privileged or proprietary, then SCE&G in its written response should identify any such data, and any supporting documents, by date and general content. SCE&G should also identify all persons who participated in the preparation of the document and all persons, inside or outside SCE&G, who received a copy, read or examined any such document. In addition, SCE&G should indicate its claim of privilege with particularity and describe the grounds upon which privilege is claimed. State the present location of the document and all copies thereof and identify each person having custody or control of the document and said copies.
3. To the extent that SCE&G asserts that any requested information is not relevant or not material to any issue in the above-captioned matter, SCE&G, in its written response hereto, should indicate a specific basis for said assertion in the context of any issues arising in this proceeding.
4. In the event SCE&G asserts that any requested information is not available in the form requested, SCE&G, in its written response thereto, should disclose the following:
 - (a) the form in which the requested data currently exists (identifying

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documents by title);

- (b) whether it is possible under any circumstances for SCE&G to provide the data in the form requested;
 - (c) the procedures or calculation necessary to provide the data in the form requested;
 - (d) the length of time (in hours or days) necessary for SCE&G to prepare the data in the form requested; and
 - (e) the earliest dates, time period, and location that representatives of SMI may inspect SCE&G's files, records or documents in which the requested information currently exists.
5. The Requests contained herein contemplate that individual copies of all documentary material requested will be provided to SMI as is the usual custom in regulatory proceedings. In the event that SCE&G asserts that any requested documents are too voluminous, or, for some other reason, that copies cannot be provided, SCE&G is requested to make this documentary material available for inspection as of the date of the required written responses at the offices of Bruner, Powell, Robbins, Wall & Mullins, LLC, 1735 St. Julian Place, Suite 200, Columbia, SC 29260-1110, or at such other time and place as may be mutually agreed upon among counsel for the parties. Selective copying shall also be provided by SCE&G pursuant to SMI's designation at that time.
6. In providing documents, SCE&G is requested to furnish all documents or items in its physical possession or custody, as well as those materials under the physical possession, custody or control of any other person acting or purporting to act on behalf of SCE&G or any of SCE&G's employees or representatives, whether as an agent, independent contractor, attorney, consultant, witness, or otherwise. If documents responsive to a request existed at one time but have been discarded, lost or destroyed, please describe by category such documents, state the identity of the person having knowledge of the circumstances of their discard, loss or destruction, and state the date on which such documents were discarded, lost or destroyed.
7. To the extent any requested document cannot be provided in full, it shall be provided to the extent possible, with an indication of what document or portion of what document is being withheld and the reasons for withholding said document.
8. Documents are to be produced as they are kept in the usual course of business. To the extent that they are attached to each other, documents should not be separated.
9. Documents not otherwise responsive to this Request shall be provided if such documents are attached to documents responsive to this Request, and constitute routing slips, transmittal memoranda, letters, comments, evaluations, or similar materials.
10. For each Request answered, provide the name of the person or persons answering, the title of such persons and the name of the witness or witnesses who will be prepared to testify concerning the matters contained in each response or document

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provided. SCE&G shall provide all responses under oath.

11. Unless otherwise indicated, the following Requests shall require you to furnish information and tangible materials pertaining to, in existence, or in effect for the whole or any part of the period from January 1, 2001, through and including the date of your response.
12. Where these Requests seek quantitative or computational information (e.g., models, analyses, databases, formulas) stored by SCE&G or its consultants in machine-readable form, in addition to providing hard copy, SCE&G is requested to furnish such machine-readable information on CD-ROM for IBM compatible PC for large files, as:
 - (i) Excel files; or
 - (ii) other IBM PC compatible worksheet or database files.
13. Responses to any of these Requests may include incorporation by reference to responses to other Requests only under the following circumstances:
 - (a) the reference is explicit and complies with the instructions; and
 - (b) unless the entirety of the referenced response is to be incorporated, the specific information or documents of the referenced response shall be expressly identified.
14. SMI requests that SCE&G send by overnight delivery service (such as Federal Express or a comparable service) one copy of its responses to this Request to each of the following:

Damon E. Xenopoulos
Brickfield, Burchette, Ritts & Stone, P.C,
1025 Thomas Jefferson Street, NW
Eighth Floor-West Tower
Washington, DC 20007

E. Wade Mullins, III
Bruner, Powell, Robbins, Wall & Mullins, LLC
1735 St. Julian Place, Suite 200
Columbia, SC 29260-1110

Dr. Dennis W. Goins
Potomac Management Group
5801 Westchester Street
Alexandria, VA 22310
15. Responsive information and documents should be provided as they become available and should not be withheld until a complete response to all of SMI's requests is available.

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DEFINITIONS

1. "SCE&G" refers to South Carolina Electric & Gas, its parent(s), subsidiaries, affiliates, predecessors, successors, officers, directors, agents, employees, and other persons acting in its behalf.
2. "PSC" means the South Carolina Public Service Commission.
3. "SMI" means SMI-South Carolina.
4. "ORS" means the South Carolina Office of Regulatory Staff.
5. "ORS Study" means the "Study of South Carolina Electric and Gas Company Fuel Expenses" issued by ORS in PSC Docket No. 2005-2-E.
6. "Identify" means as follows:
 - (a) when used in reference to an individual, to state his full name and present or last known residence address and telephone number, his present or last known position and business affiliation, and his position and business affiliation at the time in question;
 - (b) when used in reference to a commercial or governmental entity, to state its full name, type of entity (e.g., corporation, partnership, single proprietorship), and its present or last known address;
 - (c) when used in reference to a document, to state the date, author, title, type of document (e.g., letter, memorandum, photograph, tape recording, etc.) and its present or last known location and custodian;
 - (d) when used in reference to a communication, to state the type of communication (i.e., letter, personal conversation, etc.), the date thereof, and the parties thereto and, in the case of a conversation, to state the substance, place, and approximate time thereof, and identity of other persons in the presence of each party thereto; and
 - (e) when used in reference to an act, to state the substance of the act, the date, time, and place of performance, and the identity of the actor and all other persons present.
7. The term "document" as used in the Requests contained herein is used in its customary broad sense, and includes, without limitation, any kind of printed, recorded, written, graphic, or photographic matter and things similar to any of the foregoing, regardless of their author or origin. The term specifically includes reports, studies, statistics, projections, forecasts, decisions and orders, e-mail communications, intra-office and inter-office communications, correspondence, memoranda, financial data, summaries or records of conversations or interviews, statements, returns, diaries, workpapers, graphs, sketches, computer printouts, summaries or reports of investigations or negotiations, opinions or reports of consultants, photographs, brochures, bulletins, pamphlets, books, articles, advertisements, circulars, press releases, graphic records or representations or

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publications of any kind (including microfilm, videotape and records, however produced or reproduced), electronic, mechanical and electrical records of any kind (including, without limitation, tapes, tape cassettes, disks and records), other data compilations (including, without limitation, input/output files, source codes, object codes, program documentation, computer programs, computer printouts, cards, tapes, disks and recordings used in automated data processing together with the programming instructions and other material necessary to translate, understand or use the same), all drafts, prints, issues, alterations, modifications, changes and amendments to the foregoing, and all other documents or tangible things of whatever description that constitute or contain information within the scope of a Request that are in the possession of SCE&G. A Request seeking the identification or production of documents addressing, relating or referring to, or discussing a specified matter encompasses documents having a factual, contextual, or logical nexus to the matter, as well as documents making explicit or implicit reference thereto in the body of the documents. Originals and duplicates of the same document need not be separately identified or provided; however, drafts of a document or documents differing from one another by initials, interlineations, notations, erasures, file stamps, and the like shall be deemed to be distinct documents requiring separate identification or production.

8. "Communication" shall mean any transmission of information by oral, graphic, written, pictorial, or otherwise perceptible means, including, but not limited to, telephone conversations, letters, telegrams, e-mail and personal conversations. A Request seeking the identity of a communication addressing, relating or referring to, or discussing a specified matter encompasses documents having factual, contextual, or logical nexus to the matter, as well as communications in which explicit or implicit reference is made to the matter in the course of the communication.
9. The "substance" of a communication or act includes the essence, purport or meaning of the same, as well as the exact words or actions involved.
10. Words expressing the singular number shall be deemed to express the plural number; those expressing the masculine gender shall be deemed to express the feminine and neuter genders; those expressing the past tense shall be deemed to express the present tense; and vice versa.
11. The unqualified terms "or" and "and" shall be construed either conjunctively or disjunctively to bring within the scope of these Requests any matters that might otherwise be construed to be outside their scope.
12. The unqualified term "person" shall mean an individual, corporation, partnership, unincorporated association or other business or governmental entity.
13. The term "e.g." or "for example" indicates illustration by example, not limitation.

QUESTIONS

SMI-2-1 Referring to SCE&G's response to SMI-1-20(i):

- (a) Please explain in detail how SMI or any other intervenor in this proceeding can evaluate whether the prices paid are the result of arms-length negotiations without having access to the prices paid.
- (b) Please provide all documents in SCE&G's possession demonstrating that ORS has concluded that prices SCE&G pays SEMI for capacity are the result of arms-length negotiations.

REQUESTS SMI-2-2 THROUGH SMI-2-18 BELOW REFER TO THE ORS STUDY

SMI-2-2 Referring to SCE&G's coal contracts:

- (a) Please identify and describe in detail all physical hedging strategies employed by SCE&G to mitigate pricing and delivery risks.
- (b) Please identify and describe in detail all financial hedging strategies employed by SCE&G to mitigate pricing and delivery risks.
- (c) Please identify the individual(s) at SCE&G with responsibility for developing and implementing the physical and financial hedging strategies identified in SCE&G's response to subsections (a) and (b) of this request.
- (d) Please provide SCE&G's estimated annual cost of implementing its hedging strategies.
- (e) Please provide all analyses (including related workpapers) of the estimated annual cost savings attributable to SCE&G's hedging strategies.
- (f) Please provide all studies, reports, and/or analyses prepared by or for SCE&G regarding the structure, planning, and operations of its financial hedging program.
- (g) Please identify actions that SCE&G has taken to date or plans to take within the next 12 months in response to ORS' recommendation that SCE&G "should evaluate possible advantageous hedging opportunities to mitigate market volatility." See ORS Study at 23.
- (d) Has SCE&G conducted any reviews or analyses that support its decision not to engage in any financial hedging activities for coal purchases? If yes, please identify and provide these reviews and analyses.

- SMI-2-3 Referring to SCE&G's short-term coal contracts, ORS recommends at page 10 that SCE&G "only consider purchasing coal from expensive off-shore markets as a last alternative to acquire fuel or only when it has a competitive delivered price with domestic coal."
- (a) Did either of these conditions exist when SCE&G made its off-shore purchases?
 - (b) If the answer to (a) above is yes, describe and explain in detail these conditions and all steps SCE&G took to minimize its off-shore purchases.
- SMI-2-4 Referring to SCE&G's use of synthetic fuel:
- (a) Please provide all analyses prepared by or for SCE&G in the past 5 years regarding the relative economics of SCE&G's synfuel projects.
 - (b) What is the percentage Btu loss, if any, in SCE&G's synfuel process? Explain your response.
- SMI-2-5 Referring to SCE&G's purchased power and off-system sales, please describe in detail how SCE&G determines its profits from off-system sales during the review period.
- SMI-2-6 Provide a narrative description of all changes during the actual and forecasted period to contracts for the purchase of all fossil fuels, including railroad delivery contracts.
- SMI-2-7 Referring to SCE&G's contracts with (i) CSX and (ii) Norfolk Southern:
- (a) Provide a copy of each contract.
 - (b) Explain what remedy the contract makes available for non-performance or delay.
 - (c) Do any of these contracts have variable quantity provisions, allowing SCE&G to vary, from time-to-time, the quantity of coal ordered or purchased?
 - i. If so, identify which contract(s) contains such a provision and detail all instances when SCE&G relied on this provision.
 - ii. For each contract that does not contain such a provision, explain why the contract does not contain such a provision.
- SMI-2-8 With regard to all contracts pursuant to which SCE&G buys fuel:
- (a) Please categorize each contract as either (i) short-term or (ii) long-term.

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(b) Specify the benchmark that you used as the distinction between short- and long-term.

(c) Provide a copy of each contract.

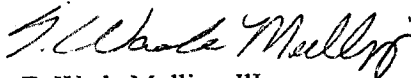
SMI-2-9 Are fuel contracts with longer than 5 year terms currently available? If so, is it possible for SCE&G to enter into such a contract with provisions that allow reopening of the contract in certain circumstances?

SMI-2-10 Does SCE&G have any fuel contracts that have longer than 5 year terms? Please explain why SCE&G does or does not have such a contract(s). To the extent that SCE&G does have such a contract(s): (i) identify the relative percentage of fuel SCE&G has purchased pursuant to such contract(s), and (ii) explain SCE&G's rationale for buying said quantity pursuant to a contract(s) with a term that exceeds 5 years.

Respectfully submitted,



Damon E. Xenopoulos, Esq.
Brickfield, Burchette, Ritts & Stone, P.C.
1025 Thomas Jefferson Street, N.W.
Eighth Floor -- West Tower
Washington, D.C. 20007



E. Wade Mullins, III
Bruner, Powell, Robbins, Wall & Mullins, LLC
1735 St. Julian Place, Suite 200
Columbia, SC 29260-1110

Attorneys for SMI-South Carolina

Dated: February 28, 2006